Introducing Consumer-Driven Choice to Cable

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Nonprofit Publisher of Consumer Reports

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: MB Docket No. 04-207

Dear Ms. Dortch:

On Thursday, July 29, 2004, Gene Kimmelman of Consumers Union and I were asked to speak at the Symposium on "A La Carte" MVPD Pricing. I used a Powerpoint slidedeck with charts to explain the economic principles I outlined in my speech.

I trust you have a copy of the transcript, but to complete the record, attached is a copy of the slidedeck.

Respectfully submitted,

/s/ Mark Cooper
Mark Cooper

Enclosure

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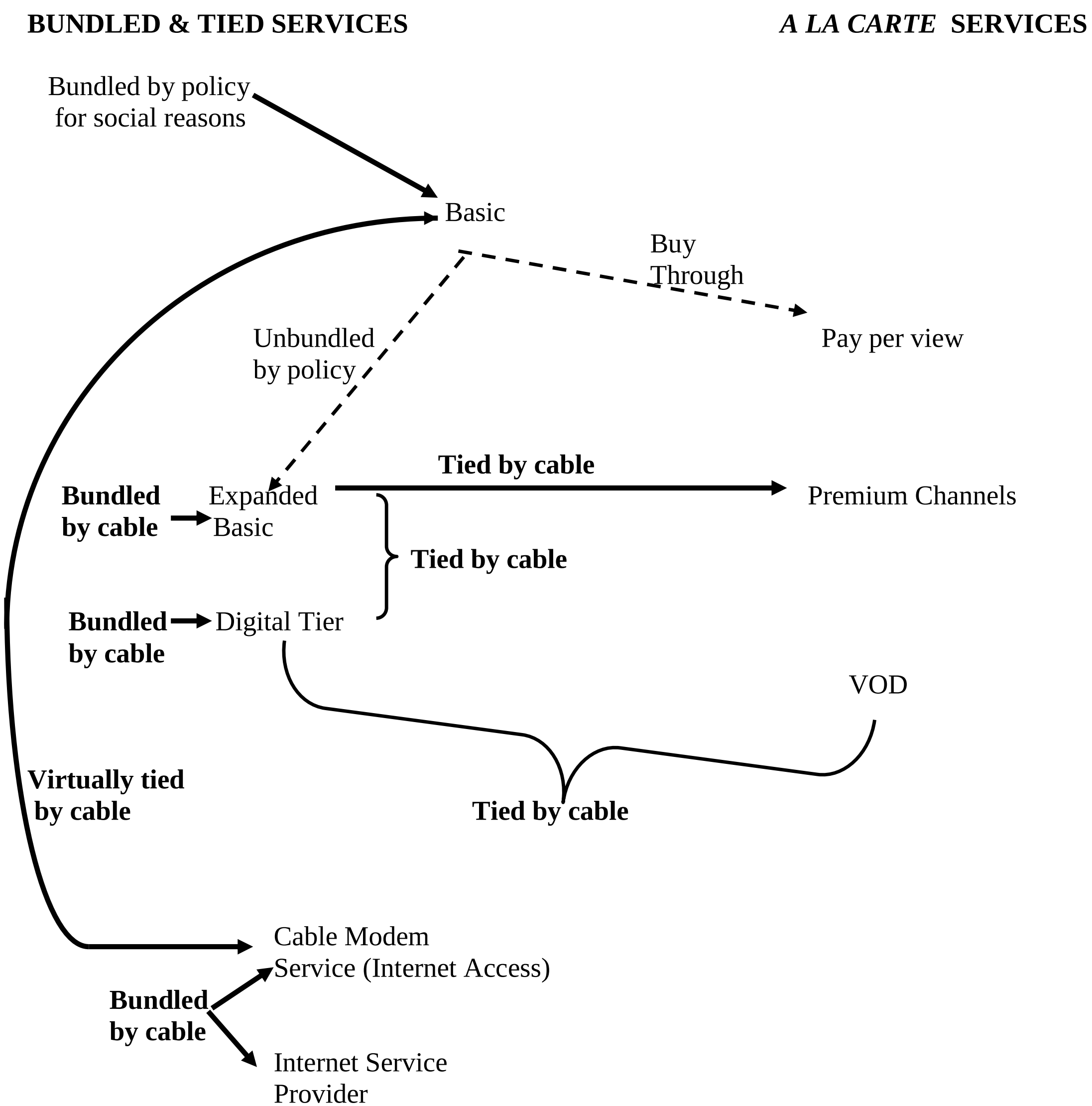
HOW THE CABLE INDUSTRY'S BUNDLES AND TIES CONTENT



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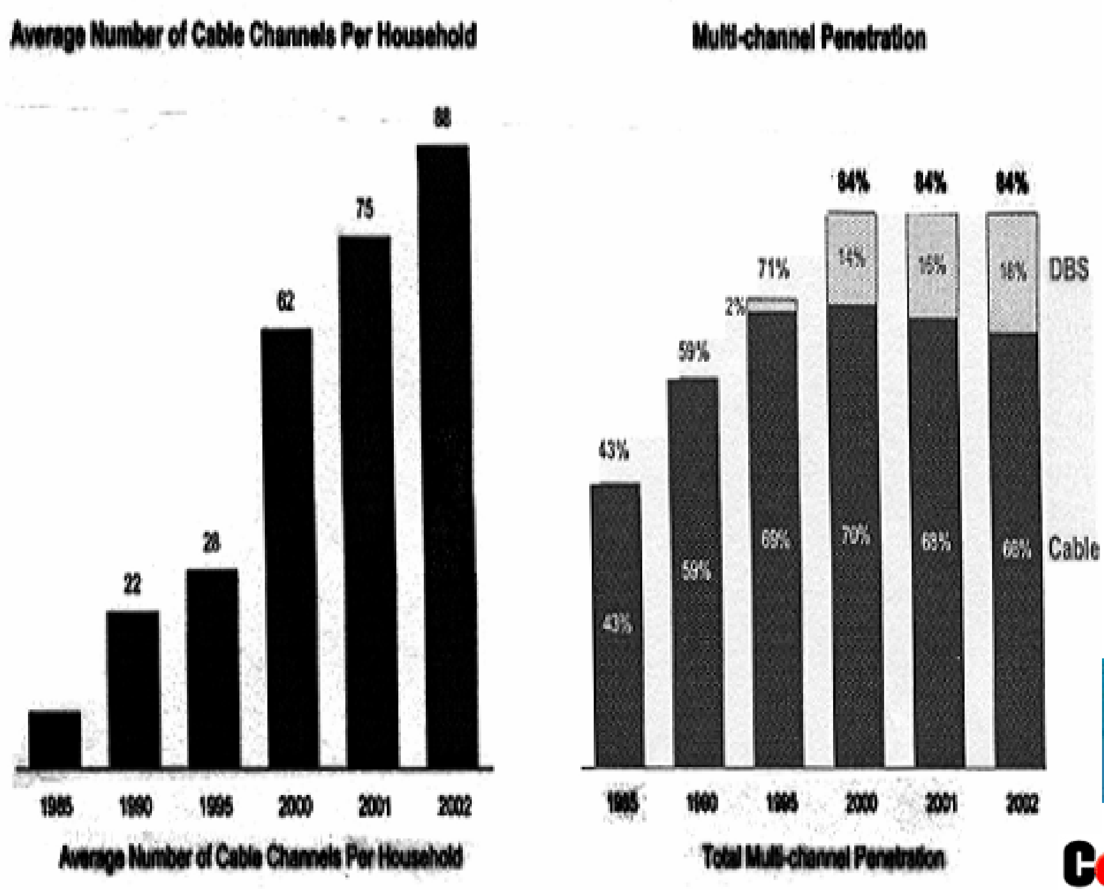
THE CABLE INDUSTRY'S BUNDLING AND TYING STRATEGY AND THE STAKES OF *A LA CARTE* PROGRAMMING (ESTIMATED FOR 2004)

BUNDLED SERVICES Service	Price/ Month	Subs	Channels	Annual Rev.	***A LA CARTE* SERVICES** Service	Rev.	**TOTAL REV.**
Bundled by policy for social reasons							
Basic	$15	70m	16	$13b			$13b
					Buy Through		
Unbundled by policy					Pay per view	$1b	$1b
	Bundled by Cable				Premium	$6b	**$6b**
Expanded Basic	$24	60m	**48**	**$17b**			**$17b**
Tied by cable					**TRADITIONAL VIDEO**		
Digital Tier	$15	21m	**30**	**$3b**			**$3b**
		Bundled by Cable			VOD	$1b	$1b
Virtually tied by cable			Tied by cable				
Cable modem & Internet Service	$45	16m	na	$9b			$9b
Total services							$49b
Total including equipment, advertising and miscellaneous							$56b

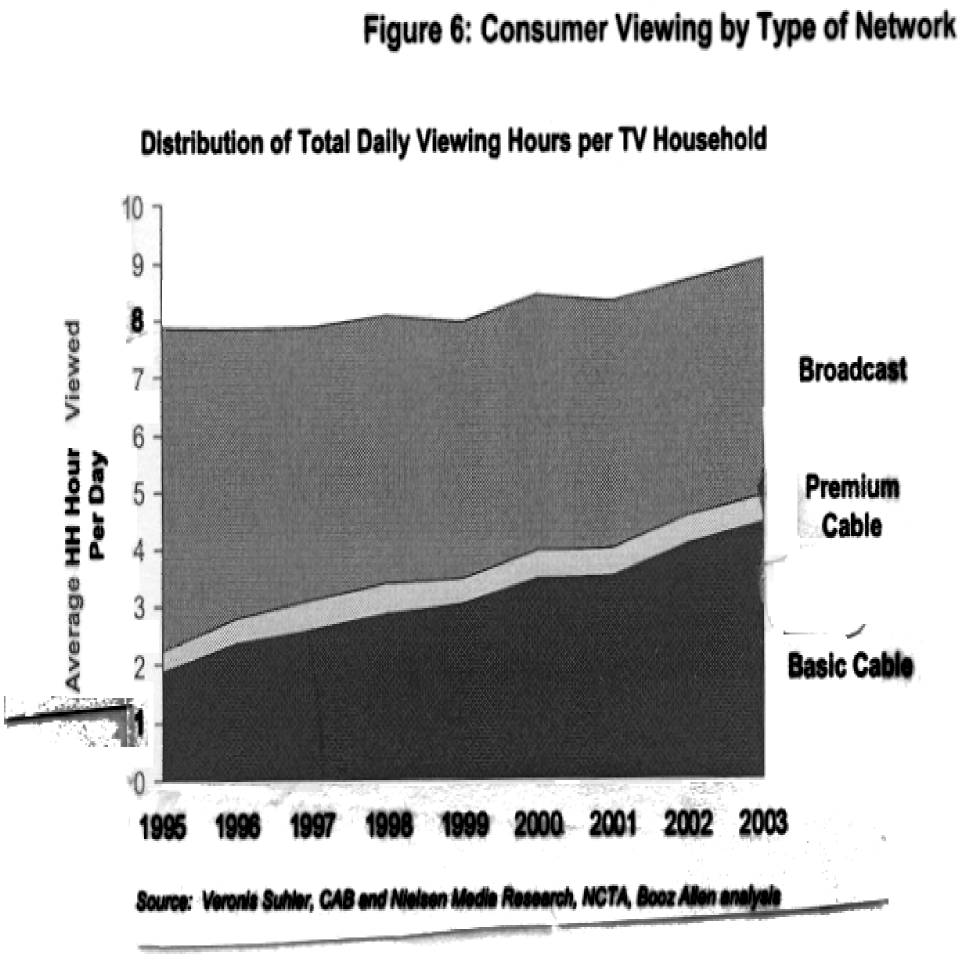
BECAUSE BUNDLES HAVE GOTTEN SO LARGE,
ADDING CHANNELS NO LONGER DRIVES PENETRATION

Figure 5: Number of Channels Per Household vs. Multi-channel Penetration



Source: Booz Allen p. 13.

TOTAL VIEWING ONLY INCREASED SLIGHTLY, DESPITE BUNDLES BALOONING BIGGER



Source: Booz Allen, p. 14.

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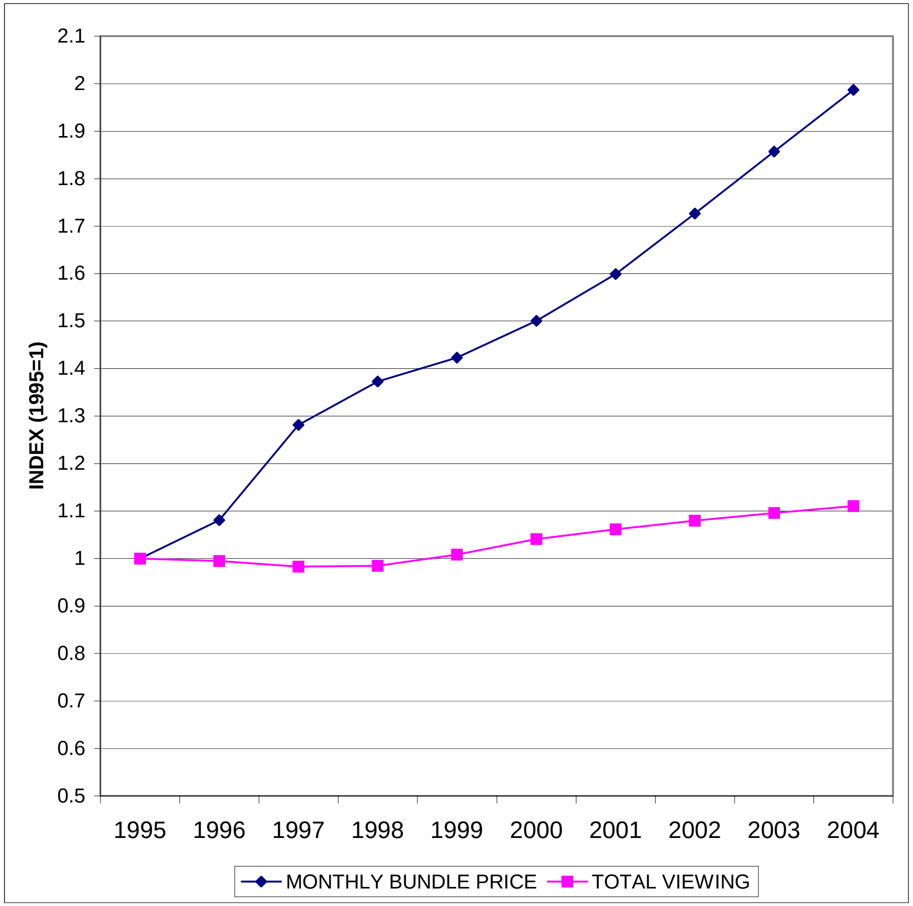
BUNDLE PRICES HAVE INCREASED MUCH FASTER THAN VIEWING



Source: Kagan Associates, *History of Cable TV Subscribers and Revenues;* Federal Communications Commission, *Report on Cable Prices*, various issues; Veronis Suchler Stevenson, *Communications Industry Report Summary, 2003.*

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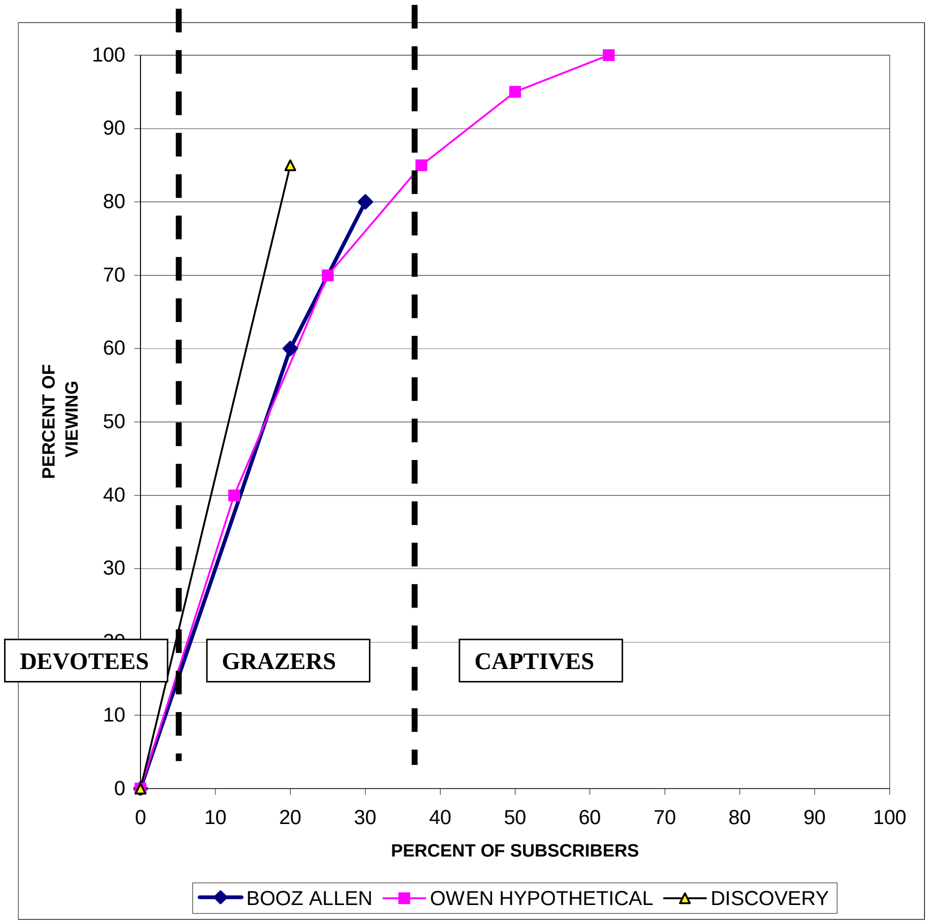
PERCENT OF A GIVEN NETWORK'S VIEWING BY TYPE OF SUBSCRIBER.

BECAUSE VIEWING IS SO CONCENTRATED, NETWORKS WILL LOSE FEW, IF ANY, VIEWERS UNDER A MIXED BUNDLING APPROACH TO A LA CARTE.



Source: Booz Allen, p. p. 5; Owen and Gale, p. 34; Willig, et. al., p. 17.

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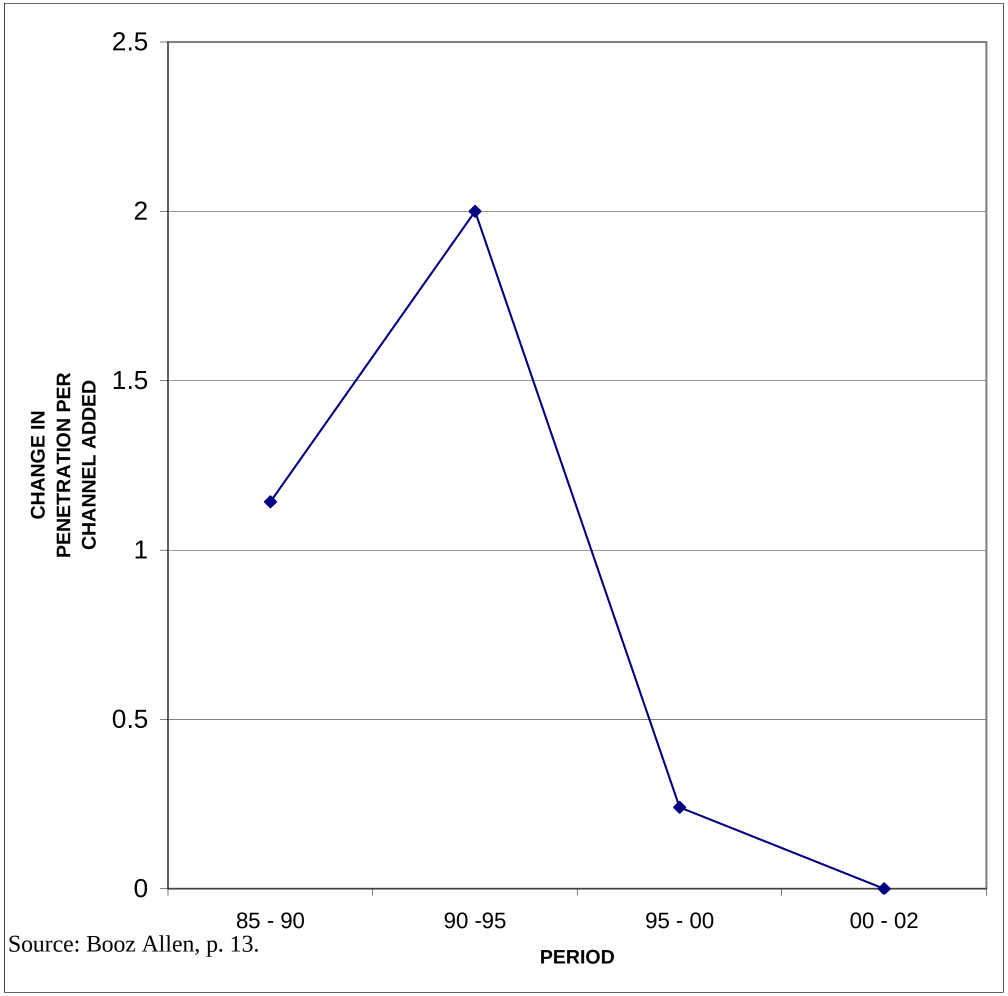
CABLE OPERATORS ADDING NEW CHANNELS DOESN'T DRIVE PENETRATION



Source: Booz Allen, p. 13.

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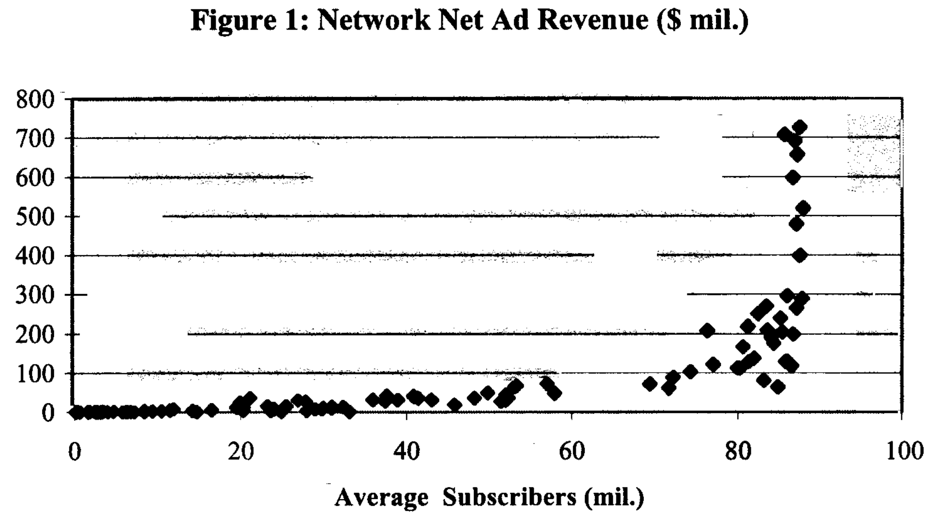
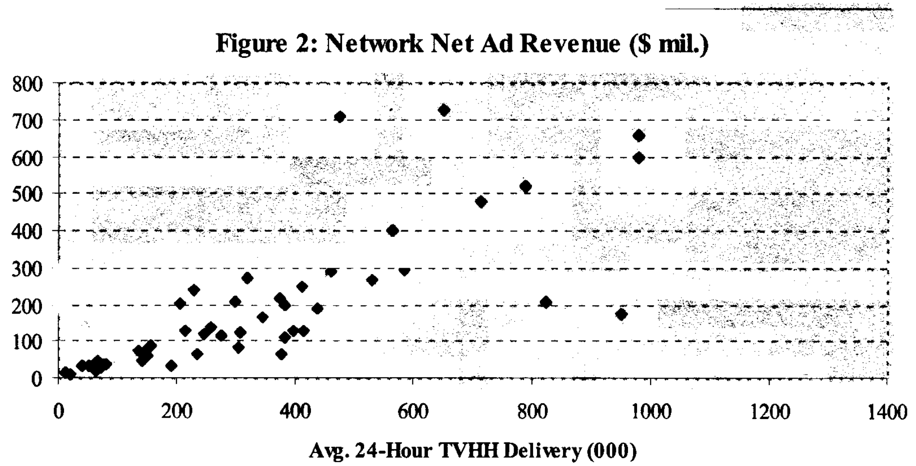
THE TOP 25 NETWORKS ACCOUNT FOR 80% OF AD REVENUES



RATINGS ARE MUCH MORE DETERMINANT OF AD REVENUES THAN SUBSCRIBERS



Source: Owen, pp. 32-33.

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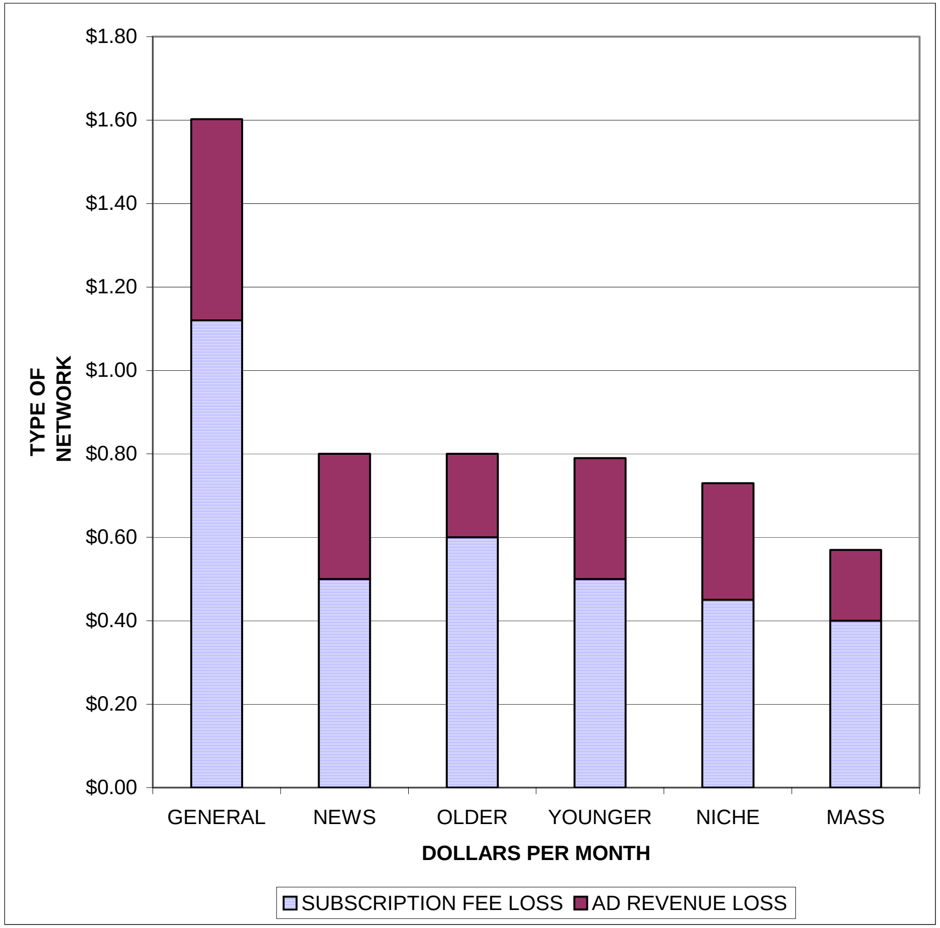
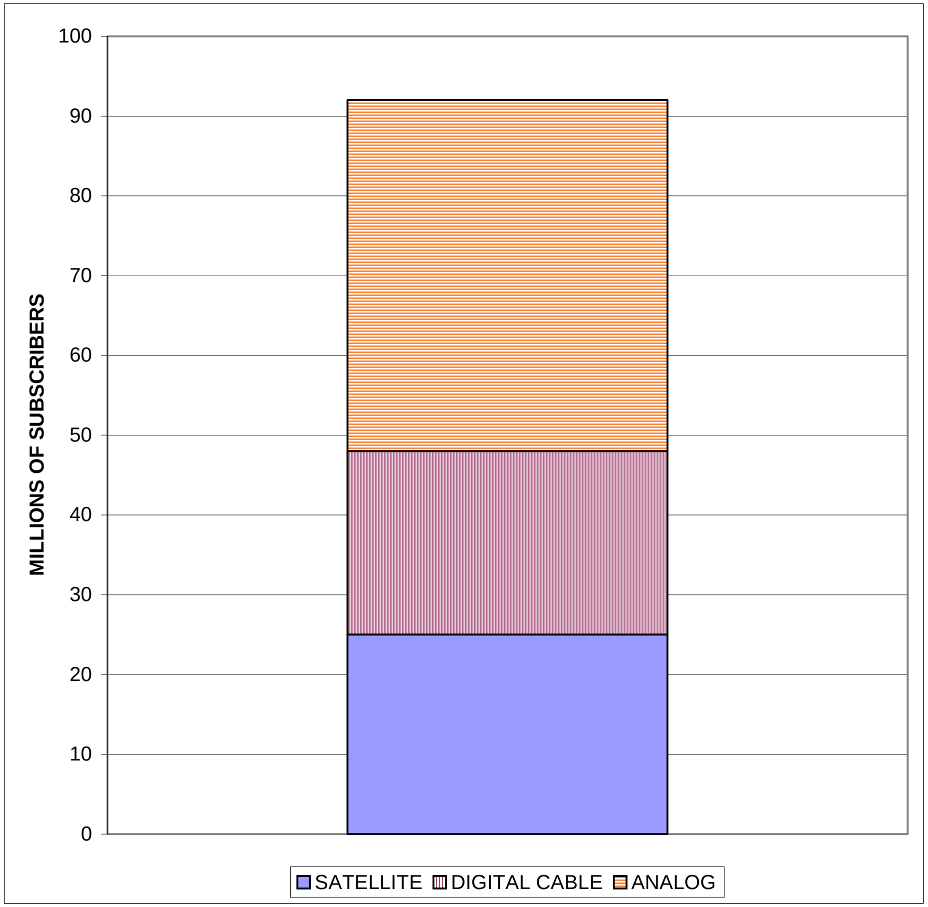
RATIONALE ASSUMPTIONS ABOUT REVENUE CHANGES RESULT IN REASONABLE *A LA CARTE* CHANNEL PRICES



Source: Calculated by Author.

NEARLY HALF OF MVPD SUBSCRIBERS ARE ALREADY DIGITAL



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